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Dollar dip big topic in Tokyo

Thoughts of 90 yen worry auto leaders

By Mary Ann Maskery and Jesse Snyder
AUTOMOTIVE NEWS STAFF REPORTERS

TOKYO — The latest in automotive high technology was the star of the Tokyo auto show. But most executives were preoccupied with the bad news on world financial markets and dire forecasts of what will come next.

Analyst Ron Glantz, Montgomery Securities, set the stage at the international meeting of auto analysts held here on the eve of the show by forecasting "90 by '90." Glantz expects the dollar, which fell to 137.5 yen to the dollar last week, to collapse still further — to 90 yen by 1990.

Japanese automotive leaders were quick to counter that prediction, saying they doubted it would happen.

Nissan Executive Vice President Tetsuo Arakawa spoke for many: "That is almost beyond the imagination." But, he added, Nissan could still survive in the United States.

Masanao Ueda, Mitsubishi executive vice president for international business, said, "I think 90 yen would be impossible for us." Next summer would be "too soon" for 115 yen, but the company could manage 115 by 1990, he said.

Toyota President Shoichiro Toyoda said he doubts the dollar would suddenly drop to 90 or even 100 yen. If that happened over a 10-year period, the company could work out measures to cope with it, he said. But if there was a very, very sudden large drop, "we could not cope with it."

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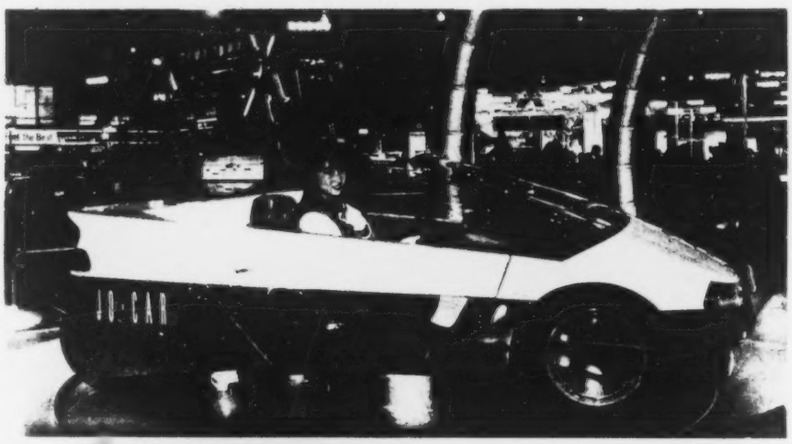

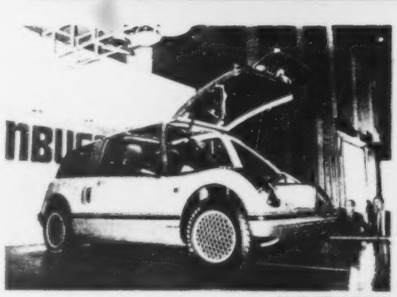

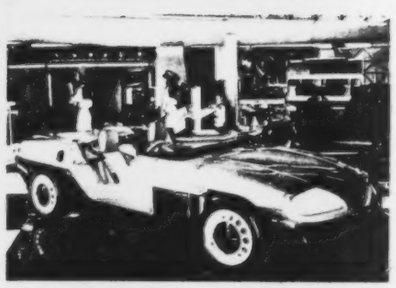

YASUO MIZUNO PHOTOS

Show cars starred at Tokyo. None was more cutesy than the Suzuki Jo-Car, top. A production version of the Daihatsu Buggy, above, may be near. Mazda's MX-04, above right, is a modular concept. Chassis is in the background. Nissan Jura, right, may be a glimpse of the minivan being developed with Ford.

GM diesel engine unit put on block

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — General Motors will restructure its Detroit Diesel Allison Division, most likely by selling off a portion of its engine operations, according to company insiders.

Industry sources said Detroit Diesel's money-losing engine operations have been up for sale for some time. GM insiders said the company wants to retain the profitable Allison transmission part of Detroit Diesel's business.

A strong contender to purchase at least a portion of Detroit Diesel's engine business is Penske Corp., according to GM insiders.

Reportedly, there also has been a management-led buyout proposal.

Ludvik F. Koci, Detroit Diesel Allison general manager, declined to comment on interested parties or their proposals, saying only that the company is down to "just a few" alternatives.

Koci declined to comment on the Penske offer. Without confirming or denying the management buyout proposal, he said, "It's certainly not one of the front-runners."

A spokesman for Penske Corp. acknowledged that Roger Penske had received a prospectus from Salomon Brothers, New York.

Koci said Detroit Diesel had hired Salomon Brothers to evaluate various purchase proposals and "equity sales and venture" proposals it received from both inside and outside the diesel industry after its joint-venture deal with Deere & Co. fell through in March.

Salomon Brothers was also engaged to "help us with the government" in preparing for "filing for changes of ownership," Koci added.

"We understand that (the prospectus) has been given to several parties. We are still evaluating it, and would not like to comment until we have completed our studies," the Penske spokesman said.

Koci said GM is close to a final decision and that he anticipates it will come by December.

"I personally expected it to be finished a month ago," he said of the company's decision.

Penske Corp., Red Bank, N.J., has a Detroit Diesel distributorship, Penske Power, for northern New Jersey and metro New York. Penske

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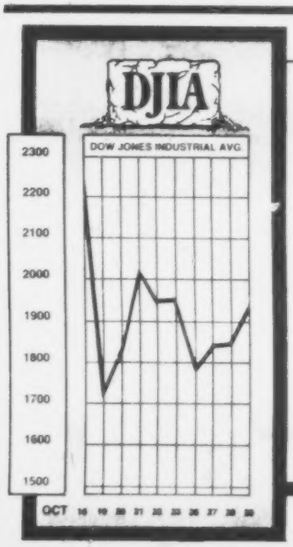

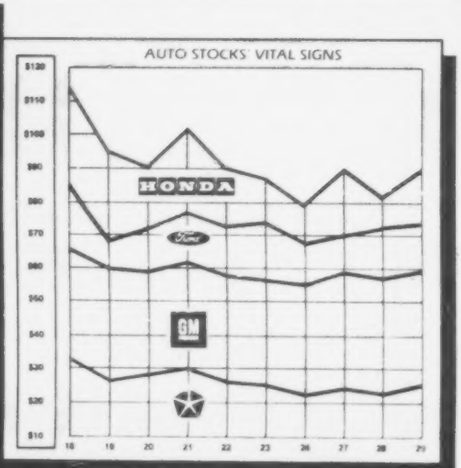

LANCE GRAVES

Makers assess crash effect

Sales forecasts, production schedules still unsettled

AN AUTOMOTIVE NEWS STAFF ROUNDUP

Manufacturers and importers in the United States last week were taking a wait-and-see attitude before adjusting their 1988 sales forecasts and production schedules to reflect gyrations on Wall Street and in the world's other financial markets.

But most auto analysts downgraded their U.S. sales forecasts by nearly one million units from their original 1988 forecasts. Likewise, they downscaled their forecasts for domestic and offshore production headed for the United States to keep in step with weaker sales projections.

Dealers in the United States last week reported slower showroom traffic, although they didn't blame it all on the stock market crisis.

Most auto executives said they expect lower auto sales simply because the volatile market jolted consumer confidence. However, they said they will wait to see how serious the effect really is before they adjust sales forecasts, production schedules and marketing strategies.

General Motors Chairman Roger B. Smith said the company has not officially downgraded its 1988 sales forecast. However, he said sales likely will be closer to 15.0 million units — 10.0 million cars and 5.0 million trucks — instead of the 15 million-plus GM had previously predicted.

Smith said the company will wait for the next consumer confidence poll before making any moves. He noted that the economy continues to be strong.

see CRASH, page 46

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Union, Ford sign

Incentive programs

Audi to recall 57,000

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Resurrected Rouge to turn first profit in

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

DEARBORN, Mich. — Rouge Steel Co., the steel-making subsidiary of Ford Motor Co., expects to turn a profit next year for the first time in a decade.

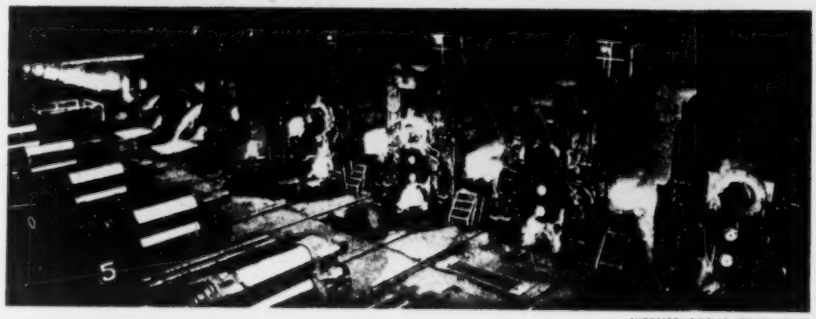
As indicated by the company's earnings record, the last 10 years have been difficult ones for Rouge. The era has been marked by questions over a possible sale and the survival of the U.S. steel industry itself.

Now, behind some new investments and a new management team, Rouge is again talking about the business of making steel — and beating the competition.

"We're turning the corner," said President David Blackwell, who came to Dearborn from Bethlehem Steel late last year. "Our plans are to be the best."

Blackwell cited two big steps in the comeback: a new labor contract and a series of investments aimed at increasing efficiency and improving the product.

The labor agreement reached this summer includes a wage freeze, a no-strike clause and commitments to further modernize. Rouge has received investments of $200 million in recent years, and last month Ford announced another $100 million in scheduled improvements.



AUTOMOTIVE NEWS/JOE WILSSENS

Strip mill will benefit from computerized thickness controls — part of the improvement program

Beyond those changes, much work still needs to be done, Blackwell suggested. Costs need to be cut, employee teamwork has to be fostered and relationships with suppliers still must be improved, he said.

The company also will continue to diversify to lessen its dependence on the auto industry. In the past, as much as 90 percent of its output was sold to Ford; now that figure is closer

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Profits rise 38% on slim sales gain

By Michelle Krebs, Mary Connelly and Charles M. Thomas
AUTOMOTIVE NEWS STAFF REPORTERS

DETROIT — Third-quarter profits for the Big 3 automakers turned out to be better than expected.

Combined earnings for Chrysler Corp., Ford Motor Co. and General Motors totaled $1.8 billion for the July-to-September quarter, up 38 percent from $1.3 billion in the third quarter of 1986.

Combined sales for the quarter amounted to $44.0 billion, up 4 percent from $42.4 billion in the year-ago period.

Analysts had predicted Ford earnings would be about even with or slightly more than the previous year's third quarter. Chrysler, they predicted, would have earnings about even with or slightly less than a year ago, and GM would have much lower earnings than in the previous year.

Actually, Ford and Chrysler posted slightly higher third-quarter profits. But GM reported earnings significantly higher than a year ago. The reason: GM instituted accounting changes that improved its results in the third quarter instead of the fourth, as most analysts had expected.

The accounting change enabled GM to report higher earnings than Ford for the first time since the first quarter of 1986.

For the first nine months of 1987, the Big 3 automakers combined earned $7.4 billion, up 21 percent from the $6.1 billion earned in the first nine months of 1986. Sales for the nine months totaled $146.9 billion, up 5 percent from $140.4 billion in the corresponding 1986 period.

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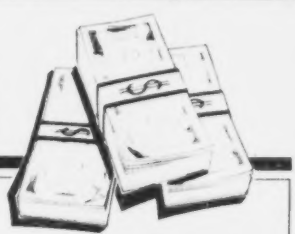
BIG 3 RESULTS



CHARLOTTE WINTER

THIRD QUARTER
(In millions of dollars)

	1987 SALES	1987 PROFIT	1986 SALES	1986 PROFIT
Chrysler Corp.	$ 6,168.6	$ 253.0	$ 5,168.8	$ 234.9
Ford Motor Co.	$ 15,246.8	$ 703.2	$ 14,365.8	$ 693.3
General Motors	$ 22,606.9	$ 812.3	$ 22,841.0	$ 345.1
TOTAL	$ 44,022.3	$1,768.5	$ 42,375.6	$1,273.3
NINE MONTHS				
Chrysler Corp.	$ 18,610.1	$ 951.4	$ 16,647.8	$1,080.0
Ford Motor Co.	$ 52,885.5	$3,693.0	$ 46,453.4	$2,500.0
General Motors	$ 75,403.6	$2,715.1	$ 77,286.4	$2,562.4
TOTAL	$146,899.2	$7,359.5	$140,387.6	$6,142.4

Incentive p just keep c

By Laura Clark
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — New incentive programs continue to flourish, with Pontiac and Chrysler Motors beefing up their efforts to boost sales of 1988 models and clear the lots of remaining 1986 and 1987 cars and trucks.

Audi of America, meanwhile, announced a dealer-incentive program for its 1987 4000 series.

Pontiac announced last week that it is adding selected 1987 cars in its multimillion-dollar direct-mail rebate program aimed at Pontiac owners and owners of competitive makes.

Coupon holders will receive $400 rebates on 1987 and 1988 Firebirds, 6000s and Bonnevilles and $300 on 1987 and 1988 Fieros and Sunbirds. The original program included only 1988 models. There is no dealer participation cost.

The division began mailing coupons to 3 million owners of Pontiac cars purchased between 1977 and 1986 and 3 million to 3.5 million owners of competitive makes.

In addition, the division has mailed coupons to 500,000 persons who said in a national marketing survey that they were planning to purchase a car during the next six months.

Chrysler Motors is offering incentives to dealers and salespeople on 1986, 1987 and selected 1988 Jeep and Renault products to clear out inventories for the launch of the Jeep/Eagle franchise in December.

"They inherited these (American Motors) products and they want to move them out," said one Jeep-Eagle dealer.

Dealers receive cash back when they reach specific sales targets set for 1986 and 1987 Alliance and Encore and 1987 GTA models. The dealer receives a total of $500 if he sells 1 or 2 of those cars, $750 for 3 or 4, and $1,000 for five units. Incentives for additional units are based on the same formula.

The program applies to units sold between Oct. 1 and Dec. 31. Consumers must purchase the car from dealer stock and take retail delivery before Dec. 31. There is no consumer incentive on any Jeep or Renault products.

Chrysler to close plant; Toledo spared

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

HIGHLAND PARK, Mich. — Chrysler Motors will close one vehicle assembly plant in 1988, but it will not be the Toledo, Ohio, Jeep assembly plant acquired with its purchase of American Motors.

"You have to look at the capacity numbers and our product lineup and you know that we could do without a plant or a plant and a half," said Chrysler Corp. Chairman Lee Iacocca at a press conference last week.

Chrysler removed the Toledo plant from the danger list following announcement Thursday of a tentative contract agreement with the Jeep unit of UAW Local 12.

The tentative contract, which will be voted on by the 5,800 unionized Toledo workers Nov. 9, is a five-year agreement expiring Sept. 14, 1992. It includes a moratorium on closing the plant for the life of the agreement.

Iacocca said the company may decide by the end of the year which plant to idle. The plant will not be sold, he said.

Chrysler Motors Chairman

Greenwald said no plants "jump out at us" as likely candidates because "we are selling very well all of our products."

"Our manufacturing guys are very good at giving us some flexibility," Greenwald said. "If the market is beginning to weaken, maybe we can find a way . . . to build in two plants what we have always built in three and move some products around.

"That's what we are trying to think our way through. As a result, it isn't simply saying there is a plant, and it is going to close in three months. We may do some retooling and get some existing product ready for another plant."

Following Chrysler's acquisition of AMC in August, analysts suggested that one of AMC's aging plants in Toledo or Kenosha, Wis., might be vulnerable.

Following the

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